

## **Historic, archived document**

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Hardy	Matthews	Roybal
Harvey, Mich.	May	Rumsfeld
Hathaway	Meeds	Ryan
Hawkins	Michel	St Germain
Hays	Miller	St. Onge
Hébert	Mills	Saylor
Hechler	Minish	Schisler
Helstoski	Mink	Schmidhauser
Henderson	Mize	Schneebeli
Herlong	Moeller	Schweiker
Hicks	Monagan	Secrest
Holland	Moore	Selden
Horton	Moorhead	Senner
Hosmer	Morgan	Shriver
Howard	Morrison	Sikes
Hull	Morse	Sisk
Hungate	Morton	Skubitz
Huot	Mosher	Slack
Hutchinson	Moss	Smith, Calif.
Ichord	Murphy, Ill.	Smith, Iowa
Irwin	Natcher	Smith, N.Y.
Jacobs	Nedzi	Smith, Va.
Jarman	Nelsen	Springer
Jennings	O'Brien	Staford
Joelson	O'Hara, Ill.	Staggers
Johnson, Calif.	O'Hara, Mich.	Stalbaum
Johnson, Okla.	O'Konski	Stanton
Johnson, Pa.	Olsen, Mont.	Steed
Jonas	Olson, Minn.	Stevens
Jones, Ala.	O'Neal, Ga.	Stratton
Karsten	O'Neill, Mass.	Stubblefield
Karth	Ottinger	Sullivan
Kastenmeier	Passman	Talcott
Keith	Patman	Taylor
Keogh	Patten	Teague, Calif.
King, Calif.	Pelly	Teague, Tex.
King, N.Y.	Pepper	Tenzer
King, Utah	Perkins	Thomas
Kirwan	Philbin	Thompson, N.J.
Kluczyński	Pickle	Thompson, Tex.
Kornegay	Pike	Thomson, Wis.
Krebs	Pirnie	Todd
Kunkel	Poage	Tuck
Laird	Poff	Tunney
Landrum	Pool	Tupper
Langen	Price	Tuten
Latta	Purcell	Udall
Lennon	Quie	Ullman
Lippscomb	Quillen	Van Deerlin
Long, Md.	Race	Vanik
Love	Randall	Vigorito
McCarthy	Redlin	Vivian
McClary	Rees	Waggonner
McCulloch	Reid, Ill.	Waldie
McDade	Reid, N.Y.	Walker, N. Mex.
McDowell	Reifel	Watson
McEwen	Reinecke	Whalley
McFall	Reuss	White, Idaho
McGrath	Rhodes, Ariz.	White, Tex.
McMillan	Rhodes, Pa.	Whitener
McVicker	Rivers, S.C.	Widnall
Macdonald	Rivers, Alaska	Wilson, Bob
MacGregor	Roberts	Wilson,
Machen	Robison	Charles H.
Mackay	Rodino	Wolff
Mackie	Rogers, Colo.	Wright
Madden	Rogers, Fla.	Wyatt
Mahon	Ronan	Wylder
Marsh	Roncalio	Yates
Martin, Ala.	Rooney, Pa.	Young
Mathias	Rostenkowski	Younger
Matsunaga	Roudebush	Zablocki

NAYS—0

NOT VOTING—68

Abernethy	Fogarty	Powell
Anderson, Ill.	Gilbert	Pucinski
Andrews,	Griffiths	Resnick
Glenn	Hagan, Ga.	Rogers, Tex.
Andrews,	Hanna	Rooney, N.Y.
N. Dak.	Harsha	Rosenthal
Bandstra	Harvey, Ind.	Roush
Brock	Hollifield	Satterfield
Brown, Clarence J., Jr.	Jones, Mo.	Scheuer
Burton, Utah	Jones, N.C.	Scott
Carey	Kee	Shipley
Clawson, Del	Kelly	Sickles
Colmer	Kupferman	Sweeney
Corbett	Leggett	Toll
Craley	Long, La.	Trimble
Dawson	Mailliard	Utt
Denton	Martin, Mass.	Walker, Miss.
Dow	Martin, Nebr.	Watkins
Ellsworth	Minshall	Watts
Evins, Tenn.	Morris	Weltner
Farbstein	Multer	Whitten
Flood	Murphy, N.Y.	Williams
Flynt	Murray	Willis
	Nix	

So the bill was passed.

The Clerk announced the following pairs:

No. 103—4

Mr. Morris with Mr. Anderson of Illinois.  
Mr. Sweeney with Mr. Martin of Massachusetts.

Mr. Jones of North Carolina with Mr. Glenn Andrews.

Mr. Shipley with Mr. Corbett.  
Mr. Multer with Mr. Mailliard.

Mr. Denton with Mr. Andrews of North Dakota.

Mr. Satterfield with Mr. Walker of Mississippi.

Mr. Long of Louisiana with Mr. Brock.  
Mr. Abernethy with Mr. Minshall.

Mr. Evins of Tennessee with Mr. Ellsworth.  
Mr. Hagan of Georgia with Mr. Clarence J. Brown, Jr.

Mr. Roush with Mr. Utt.  
Mr. Weltner with Mr. Martin of Nebraska.

Mr. Flynt with Mr. Burton of Utah.  
Mr. Colmer with Mr. Harvey of Indiana.

Mrs. Kelly with Mr. Kupferman.  
Mr. Rooney of New York with Mr. Del Clawson.

Mr. Murphy of New York with Mr. Watkins.  
Mr. Scott with Mr. Harsha.

Mr. Nix with Mr. Toll.  
Mr. Hollifield with Mr. Scheuer.

Mr. Dawson with Mr. Resnick.  
Mr. Pucinski with Mr. Powell.

Mr. Carey with Mr. Kee.  
Mr. Sickles with Mr. Craley.

Mr. Bandstra with Mr. Rosenthal.  
Mr. Farbstein with Mr. Hanna.

Mr. Dow with Mrs. Griffiths.  
Mr. Willis with Mr. Trimble.

Mr. Williams with Mr. Rogers of Texas.  
Mr. Whitten with Mr. Watts.

Mr. Fogarty with Mr. Gilbert.  
Mr. Leggett with Mr. Murray.

The result of the vote was announced as above recorded.

The doors were opened.

A motion to reconsider was laid on the table.

GENERAL LEAVE TO EXTEND

Mr. STAGGERS. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to extend their remarks on the bill just passed.

The SPEAKER. Is there objection to the request of the gentleman from West Virginia?

There was no objection.

COMMITTEE ON THE DISTRICT OF COLUMBIA

Mr. ALBERT. Mr. Speaker, I ask unanimous consent that the Committee on the District of Columbia may have until midnight Saturday, June 25, 1966, to file certain sundry reports.

The SPEAKER. Is there objection to the request of the gentleman from Oklahoma?

There was no objection.

COMMITTEE ON AGRICULTURE

Mr. POAGE. Mr. Speaker, I ask unanimous consent that the Committee on Agriculture be given until midnight Saturday, June 25, to file a report on the bill S. 2934.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There was no objection.

## DOGS AND CATS USED IN RESEARCH

Mr. POAGE. Mr. Speaker, I ask unanimous consent to take from the Speaker's table the bill—H.R. 13881—to authorize the Secretary of Agriculture to regulate the transportation, sale, and handling of dogs and cats intended to be used for purposes of research or experimentation, and for other purposes, with Senate amendments thereto, disagree to the Senate amendments, and agree to the conference asked by the Senate.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

The Chair hears none, and appoints the following conferees: Messrs. COOLEY, POAGE, PURCELL, RESNICK, QUIE, Mrs. MAY and Mr. DOLE.

## TWO-YEAR EXTENSION OF FEDERAL RESERVE DIRECT PURCHASE AUTHORITY

Mr. PATMAN. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (S. 3368) to amend section 14(b) of the Federal Reserve Act, as amended, to extend for 2 years the authority of Federal Reserve banks to purchase U.S. obligations directly from the Treasury.

The SPEAKER. The question is on the motion offered by the gentleman from Texas.

The motion was agreed to.

IN THE COMMITTEE OF THE WHOLE

Accordingly, the House resolved itself into the Committee of the Whole House on the State of the Union for the consideration of the bill S. 3368, with Mr. ROSTENKOWSKI in the chair.

The Clerk read the title of the bill.

By unanimous consent, the first reading of the bill was dispensed with.

The CHAIRMAN. Under the rule, the gentleman from Texas [Mr. PATMAN], will be recognized for 30 minutes, and the gentleman from New York [Mr. FINO] will be recognized for 30 minutes.

The Chair recognizes the gentleman from Texas [Mr. PATMAN].

[Mr. PATMAN asked and was given permission to revise and extend his remarks.]

Mr. PATMAN. Mr. Chairman, I yield myself 10 minutes.

Mr. Chairman, S. 3368 is a straightforward and uncomplicated bill. It is noncontroversial. This legislation received the unanimous approval of your Banking and Currency Committee as it has in previous years. This is good legislation. To my knowledge it has received almost unanimous, if not unanimous, support from this body in previous years.

TWO-YEAR EXTENSION OF FEDERAL RESERVE DIRECT PURCHASE AUTHORITY

S. 3368, which recently passed the Senate unanimously would amend section 14 (b) of the Federal Reserve Act, as amended, to extend for 2 additional years the authority of the Federal Reserve banks, through the Federal Open Market Committee, to purchase U.S. obligations directly from the Treasury in an amount



not to exceed \$5 billion at any one time. The existing authority which provides for this identical procedure expires on June 30, 1966. Initially, this direct purchase authority was provided for in 1942 and has been extended periodically since that time. In other words, Mr. Chairman, this bill, S. 3368, would do nothing more than change the date in section 14(b) of the Federal Reserve Act, as amended, from July 1, 1966, to read July 1, 1968.

This legislation is supported by the administration, including the Board of Governors of the Federal Reserve System. No public or private body has voiced any opposition to this legislation. The importance of this legislation which, as I have indicated, would allow the Treasury to borrow up to \$5 billion directly from the Federal Reserve System lies, as pointed out by the Secretary of the Treasury in support of this legislation, not in the amount or frequency of its use but rather in its availability in time of need. The existence of this authority allows, for example, the Treasury to operate with a smaller cash balance than would otherwise be prudently justified.

In addition, this authority would allow the Treasury to use the Federal Reserve as a direct source of purchase for up to \$5 billion outstanding at any one time in case of emergency.

The Federal Reserve Board concurs in these views as indicated in their letter supporting S. 3368 which has been reproduced in the Committee Report No. 1640, as has the letter to the Speaker of the House from the Secretary of the Treasury. Further, the letter from Chairman Martin, as the facts show, indicate that this authority has been used most judiciously since it was first enacted. This authority was last used over 8 years ago at which time the Treasury borrowed a total of \$350 million from the Federal Reserve.

I strongly recommend renewal of this authority at this time.

#### A CHALLENGE TO THE FEDERAL RESERVE

I believe it is in order for me to state that the Federal Reserve System has the greatest challenge it has ever had to act in the public interest. We are in a war situation now. We hope it does not expand. But, if it were to expand, interest rates which now are a major item in our budget would, of course, become a problem of increasing proportions.

#### INTEREST RATES HELD LOW IN THE PUBLIC INTEREST FROM 1939-51

In World War II we had a Federal Reserve Board that was responsive to and working in the public interest. From 1939 to 1951, over a 12-year period, we were for part of that time in a devastating depression. People's homes and farms were being sold by the sheriffs of thousands of our counties for the purpose of liquidating the debts to creditors. People were in breadlines and at the soup kitchens. We actually had people starving during part of that time. The most terrible situation that had ever confronted our country occurred during this 12-year period.

Then during another part of the 12 years we had an inflationary situation.

That was during World War II. People were working and making good wages. They were unable to buy automobiles and durable goods, so that money continued to pile up in their bank accounts and in their pockets. This created the greatest potential threat of inflation we ever had. That occurred during part of this 12-year period.

But a Federal Reserve Board, acting in the public interest, under President Franklin D. Roosevelt—the late President—demanded that they operate in the public interest—by keeping interest rates low.

#### THE FEDERAL RESERVE BOARD SETS INTEREST RATES

The Federal Reserve Board has the power and the privilege of fixing interest rates at any level they desire. The Federal Reserve could say, "We are going to have interest rates at 1.99 percent," or they could say "at 5.01 percent." The Federal Reserve Board can fix rates at any point it wants to and it can keep the rate right there.

If there is any doubt about that statement, let me present some undisputed proof. With war in Europe—the year 1941 was the roughest we had in this country preceding our own entry in the war on December 7, 1941, at Pearl Harbor. During that time of those 12 years, and following—our Government never paid more than three-eighths of 1 percent on short-term obligations. Much of the time the Government only paid one-eighth of 1 percent. Why should it have paid more? It is just paying interest on interest-bearing currency, on short-term obligations.

But now, compared to then, we have just recently paid almost 5 percent on short-term obligations, because the market was rigged and forced up.

This is a great challenge to the Federal Reserve Board, since our interest rate burden is such a terrific one. These high rates can be changed by the Federal Reserve Board. They can be changed over night.

Today our national debt is about \$330 billion. If the rates that were fixed by Mr. Roosevelt and by Mr. Truman had been retained since that time, our national debt would be more than \$40 billion less and our interest costs on the national debt, instead of being \$13 billion a year—the second largest item in the budget—would be only \$6.5 billion, or only one-half as much.

#### THE 4¼-PERCENT CEILING ON LONG-TERM BONDS

We have had an interest rate ceiling of 4¼ percent on long-term Treasury bonds in this country since 1918, during the administration of Woodrow Wilson. The laws say interest rates on long-term Government obligations shall not exceed 4¼ percent.

An effort was made during a preceding administration, upon two occasions, to remove that ceiling, so that the rate could go up to 5, 6, 7, or maybe even 10 percent, but the Democrats succeeded in stopping it, so that the 4¼-percent ceiling is still there—but the Federal Reserve has been getting around it, because the Federal Reserve has permitted, and

in some cases forced, interest rates on short-term issues to go up to much beyond this ceiling.

From 1939 to 1951 were the 12 years which were the roughest years in the history of our Nation, from the standpoint of devastating inflation and from the standpoint of a world war. It was a terrible war. During those 12 years we maintained reasonable interest rates. The Federal Reserve Board held rates not exceeding 2½ percent. Anyone who had a Government bond, who wanted to get his money, could get his money, 100 cents on the dollar, plus accrued interest.

That is a good record. Nobody can object to that. Now what are we doing? Interest rates which cost us \$1,000 during the war for a certain sum of money for a specified length of time—short-term Government rates—now cost us from \$21,000 to \$62,500.

Is that not shocking, my friends? Of course it is shocking, when interest rates go up from 2,000 to 6,000 percent. This is a runaway inflationary condition. There can be no question of this.

Nobody can deny the statements I am making. If anybody denies any statement I make, let him ask me to yield and I will yield right now, at any time. I hear no such request. So no one can deny that the Federal Reserve Board during 12 years kept the interest rates low, short term, and now they are 2,000 to 6,000 percent higher today.

Suppose an automobile which cost a person \$1,000 in 1941—now cost him \$62,500. Using the same percentage increase as in the case of short-term Treasury rates, this is what that car would cost today if car prices had risen as far and as fast as money prices.

In addition to this, long-term rates on Government securities have doubled. They have gone up more than 100 percent.

If it were necessary or if this were a free market, that would be all right, but let us remember that no person in authority—the Federal Reserve Board members or anyone else—will tell us that there is a free market in Government bonds.

It just cannot be. It is a fixed market. It cannot be anything else.

I repeat, the Federal Reserve has a great challenge now. Will the Federal Reserve roll back short-term interest rates to World War II levels and save the Government and the people a lot of money or will they keep on raising them?

#### THE FEDERAL RESERVE AND THE CD SCANDAL

Now, December 6, 1965, the Federal Reserve Board met and increased interest rates right in the midst of the Vietnam war just as though—I will not say they did it for that purpose, but some people claim they said, "Well, we will get ours while the getting is good. We will raise the rates which the banks can offer from 4 percent to 5½ percent," which is a 37½ percent increase. This has forced rates up all across the board. The Federal Reserve did not have to do this except in their shenanigans to move up the short-term Treasury rate they had to get these corporate purchasers of Government short-term securities every Monday out